

Message Text

UNCLASSIFIED

PAGE 01 ROME 07952 021938Z
ACTION IO-14

INFO OCT-01 AGRE-00 ICAE-00 AID-05 EB-08 OIC-02 COME-00
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O 021730Z MAY 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 2451
USMISSION GENEVA IMMEDIATE

UNCLAS ROME 7952

FODAG

GENEVA FOR MAYNES

E.O. 11652: N/A
TAGS: FAO, AORG, OCON
SUBJ: FAO PROGRAM COMMITTEE (PC)

1. PC WILL BEGIN DISCUSSION TOMORROW OF FAO COMMENTS ON JIU
REPORT AND RECOMMENDATIONS ON OVERHEAD COSTS.

2. KEY PARAS IN DG'S LETTER TO PERM REPS RELEASED TODAY ARE
AS FOLLOWS:

QUOTE AS BEING REPORTED TO FINANCE COMMITTEE IN MAY, OUR COST
MEASUREMENT SYSTEM SHOWS THAT OUR TOTAL SUPPORT COSTS FOR
UNDP PROGRAMS IN 1977 WERE 17.4 PERCENT OF UNDP PROJECT DELIVERY
... IN 1976-1977 TOTAL SUPPORT COSTS AMOUNTED TO DOLS 56.3
MILLION AND THE SUBSIDY PROVIDED BY THE REGULAR PROGRAM TO FIELD
PROGRAMS FINANCED BY UNDP AND TRUST FUNDS WAS DOLS 12.4
MILLION. (3) THE RECOMMENDATIONS OF THE JIU (JIU/NOTE/78/1)
WOULD CALL FOR A FURTHER SUBSIDY TO UNDP OPERATIONS IN ADDITION
TO THE ABOVE AMOUNT. IT HAS BEEN PROVISIONALLY CALCULATED
THAT APPLICATION OF THE JIU FORMULA WOULD RESULT IN A REDUCTION
OF THE REIMBURSEMENT TO FAO FROM 14 PERCENT TO APPROXIMATELY
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11.5 PERCENT. WHEN APPLIED TO OUR PROJECT DELIVERY, THIS COULD
MEAN A REDUCTION OF NEARLY 20 PERCENT IN OUR TOTAL AGENCY COST
EARNING. THE AMOUNTS WOULD BE IN EFFECT TRANSFERRED TO THE
REGULAR PROGRAM IN THE REGION OF DOLS 5 MILLION THE
TOTAL ADDITION TO THE REGULAR PROGRAM (AFTER CALCULATING ADDI-
TIONAL TRUST FUND OVERHEAD - ED.) WOULD BE IN THE REGION OF
DOLS 7 MILLION OR 3.5 PERCENT OF THE CURRENT LEVEL. IF SUCH

AN AMOUNT HAD TO BE ADDED TO THE REGULAR BUDGET, IN ADDITION
TO PROVISION FOR COST OF INFLATION, THIS WOULD LEAVE LITTLE
IF ANY ROOM FOR PROGRAM INCREASES. END QUOTE

3. LETTER GOES ON TO ARGUE THAT UNDP OVERHEAD COSTS CANNOT
BE DECIDED BY THE INTERGOVERNMENTAL WORKING GROUP ON THE BASIS
OF THE JIU REPORT WHICH "ACCEPTS AS AXIOMATIC THE NEED TO
TRANSFER REIMBURSEMENT COSTS FROM THE VOLUNTARILY CONTRIBUTED
RESOURCES OF THE UNDP TO THE ASSESSED REGULAR BUDGET OF FAO."

4. WE WOULD WELCOME ANY COMMENTS DEPARTMENT MAY WISH TO RECOMMEND
IN PROGRAM COMMITTEE DISCUSSION OF THESE VIEWS, WHICH DG WILL
OBVIOUSLY WISH THE PROGRAM COMMITTEE TO SUPPORT. IT SHOULD BE
NOTED THAT THESE VIEWS ACCOMPANY A DRAFT OF ACC OBSERVATIONS
WHICH ARE TO BE DISCUSSED SHORTLY IN GENEVA AND WHICH TEND TO
DEFEND EXISTING SYSEM.GARDNER

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